**Receiving an Income**

## Objectives:

Upon completion of this lesson, students will be able to:

* Compare Salaried and Hourly Compensation
* Demonstrate a basic knowledge of the terms associated with a wages.
* Explore the methods for paying employees.

### Salaried and Hourly Compensation

* Workers may be:
  + Hourly **non exempt**
  + Salaried **exempt**

**Salaried and Hourly Compensation**

* The hourly worker
  + **Hourly Worker**- An employee who is paid a set rate for each hour worked, which is at least the minimum wage set by the government.
  + **Base Rate**- The hourly rate of pay for workers who are paid by the hour.

**Full-time vs. Part-time**

* Full-time employees typically work **40** hours per.
  + Companies search for full-time employees that will stay with their company.
* Part-time is defined as any employee paid on an hourly basis who works less than **37.5** hours per week.
  + Part-time employees may be limited in the amount of differential pay they qualify for.

### Salaried and Hourly Compensation

* Differential wages
  + **Differential Wage Rates** - Changes in the rate of pay, such as
    - additional pay for working **overtime**,
    - for performing exceptionally **difficult** work,
    - or for working in a different job,
    - or the additional payment made to employees who do not receive **benefits**.

### Table0701Table0701

### Salaried and Hourly Compensation

* Differential wages
  + ex: time-and-a-half for overtime hours
* Suppose a person worked 48 hours in one week and made $8.00/hour. His pay would be determine by :

Step 1: Figure out their base pay: $8.00 x **40** hours = $**320.00** base salary for week

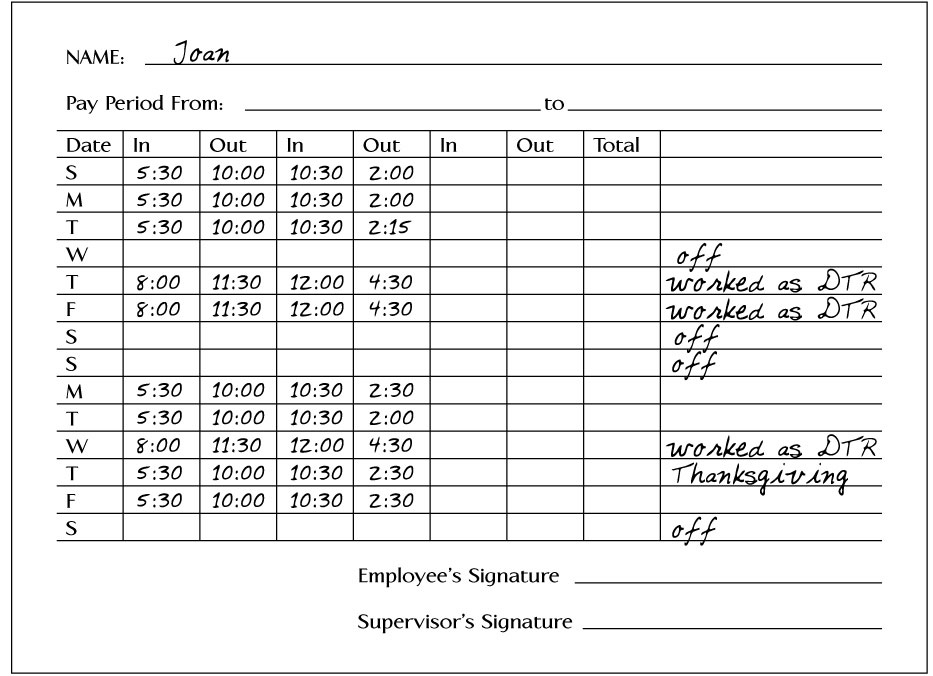
Step 2: Figure out overtime pay per hour: $8.00 x**150**% = **$12.00** per hour (overtime rate is 1.5 times the regular hourly rate)

Step 3: Figure out their overtime pay $12.00 x **8** hours = $**96.00** (overtime pay)

Step 4: Gross pay = Base pay + Overtime pay:

$**320.00** + $**96.00** = $**416.00** (gross pay for week)

* ex: time card for employee receiving differential wages for different tasks



### Salaried and Hourly Compensation

* The salaried employee
  + **Salaried Worker** - An employee who has a set (usually annual) salary and who is expected to work until the job is completed.
  + **Burnout**- A physical consequence of stress in the workplace that can result from working long hours, or being tired, dissatisfied, or angry with the work or work setting.
  + **Attrition**- Loss of employees because the employees voluntarily choose to leave their jobs.

### Salaried and Hourly Compensation

* + **Compensatory Time off**- A method used to give salaried employees who work long hours some extra time off to compensate them for unpaid overtime worked.
  + **On Call**- A position that requires the employee to be available to come to work on short notice during unscheduled hours, if needed.

### Paying Employees

Three methods employers may use to pay employees:

* 1. **Paycheck-** payment given with a paper check with a paycheck stub attached
     + Most common method
     + Employee responsible for handling the paycheck
     + Immediately see payroll stub and deductions

### Paying Employees (continued)

* + **Direct Deposit-** employers directly deposit employee’s paycheck into the authorized employee’s depository institution account
    - Employee receives the paycheck stub detailing the paycheck deductions
    - Most secure because there is no direct handling of the check
    - Employee knows exactly when paycheck will be deposited and available

### Paying Employees (continued)

* + **Payroll Card-** payment electronically loaded onto a plastic card
    - Funds are directly deposited by an employer into an account at a depository institution that is linked to the payroll card
      * Parties involved:
        + Employer
        + Employee
        + Depository institution
    - Use the payroll card for ATM withdrawals or to make purchases

### Payroll Card

* There are numerous **Fees** associated with payroll cards
  + Number of fees depends upon the depository institution
  + Examples:
    - Monthly or annual fee
    - ATM fee
    - Inactivity fee
    - Fee after a specific number of transactions have been used
    - Replacement fee if the card is lost, stolen , or destroyed
    - Load fee (when funds are placed on the card account)
    - Point of sale (POS) fee for using the card at a POS terminal, or an electronic payment processor

### Benefits of Using Payroll Cards

* Employers
  + Lower internal **costs**
    - Costs associated with producing, handling, and distributing pay checks is eliminated
* Depository Institutions
  + Profit from the **fees** charged to employees, employers, and merchants
* Employees
  + **Safer** than carrying large amounts of cash
  + Unbanked employees do not have to pay check cashing fees
    - Americans roughly spend $8 billion annually in check cashing fees
  + Can access electronic monthly statement of transactions
  + Can receive a second card
    - Give allowances to children
    - Send money internationally
  + Easily make online purchases

### Consumer Protection with Payroll Cards

* Regulation **E**– Electronic Fund Transfer Act
  + Protects payroll card holder from fraudulent charges on lost or stolen cards
    - Card holder is only liable for $**50** if a lost or stolen card is reported within 48 hours
  + Over four million paychecks are stolen annually with no protection to employees
  + Regulation E provides exceptional safety and protection for payroll card holders